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Task Force on Statistics of International Trade in Services

Note by the Secretary-General

The Secretary-General has the honour to transmit to the Statistical Commission the report of the Task Force on Statistics of International Trade in Services (Convener: Organisation for Economic Cooperation and Development), which is contained in the annex. The report is transmitted to the Commission in accordance with a request of the Statistical Commission at its twenty-ninth session,[1] and with a request of the Working Group on International Statistical Programmes and Coordination at its nineteenth session (see E/CN.3/1999/20, para. 7).

Points for discussion

The Commission is requested to respond to the strategy laid out in the report of the Task Force for the completion of the draft manual on statistics of international trade in services.

Notes

[1] See *Official Records of the Economic and Social Council, 1997, Supplement No. 4* (E/1997/24), chap. I).

* E/CN.3/1999/1.

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Annex

Report of the Task Force on Statistics of International Trade in Services

1. The Task Force Members are: Statistical Office of the European Communities (Eurostat), International Labour Organization, International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development, United Nations Statistics Division, World Bank and World Trade Organization (WTO). OECD serves as Convener of this Task Force. From the beginning of 1997, the main work of the Task Force has been to oversee the production of a manual to help national statisticians compile statistics on international trade in services. "International trade" is here broadly defined, and covers the first three of the four "modes of supply" which are defined in the General Agreement on Trade in Services (GATS).

2. The first two modes are **cross-border trade** and **consumption abroad**; both these modes of supply involve transactions which are already included in the standard balance of payments because they are between residents and non-residents. The third mode of supply is termed **commercial presence**, and involves the sale of services abroad through the creation of an affiliated company or "foreign affiliate". Since foreign affiliates are deemed to be resident in the country where they are located, the commercial presence mode of supply falls outside the scope of the standard balance of payments.

3. The fourth mode of supply is termed **presence of natural persons**, and refers to nationals of one country who work abroad as service providers, either as self-employed workers or as employees. This mode of supply is partly covered in the standard balance of payments. The Task Force has concluded that it is too difficult at the present time to draw up recommendations for measuring this mode of supply. The manual will, however, include an annex giving some preliminary ideas on how existing migration statistics might be used, together with other data sources, to provide some quantitative information on this mode of supply.

4. The international agencies have contributed to a central fund to finance the drafting of the manual by a consultant. The first consultant, who began work in January 1997, indicated that he did not wish to continue after he had submitted his first draft. A second consultant has now produced two further drafts following the discussions and conclusions from meetings of the Task Force in June 1997 (New York), June 1998 (Geneva) and November 1998 (Frankfurt). The Task Force had originally hoped that the manual could be presented to the Statistical Commission at its thirtieth session for its approval, but this has now been put back to the year 2000 at the earliest.

5. Progress with the manual is being regularly reported to relevant committees and working groups of IMF, Eurostat and OECD. When a complete version of the manual becomes available, it will be circulated to all United Nations Member countries for comments and suggested amendments, and will be reviewed in detail by a world-level expert group to be convened by the United Nations.

6. Task Force members would like to bring two aspects of the manual to the attention of the Statistical Commission:

(a) First, the manual will build on existing international standards and classifications — notably the fifth edition of the IMF *Balance of Payments Manual* (BPM5) and its services classification, the OECD Benchmark Definition of Foreign Direct Investment, the System of National Accounts, 1993, the OECD-Eurostat Trade in Services Classification, the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 3, and the Central Product Classification (CPC), Version 1.0. An implication of the decision to strictly respect existing statistical standards is that the manual will not be able to generate statistics which exactly match the "modes of supply" defined in GATS. WTO supports the decision to aim for approximations rather than exact measures;

(b) Second, service transactions between residents and non-residents — i.e. those which are included in the standard balance of payments — will be classified according to the OECD-Eurostat Trade in Services Classification, with some additional memorandum items requested by WTO. The OECD-Eurostat classification is an extended version of the services classification in BPM5, and is mainly a classification by type of **product**. Transactions of foreign affiliates, on the other hand, will be classified according to ISIC, which is an **activity** classification. The manual will recommend a grouping of ISIC activities which will afford an approximate fit with the extended BPM5 services classification. An annex table will show which CPC codes belong to each item identified in the extended BPM5 services classification. This will help to define the content of the latter classification.